

In The

ALEXANDER L. STEVAS
CLERK

Supreme Court of the United States

October Term, 1983

—0—
HAROLD T. and MARIE B. PAULSEN,

Petitioners,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

—0—
On Writ of Certiorari
to the United States Court of Appeals
for the Ninth Circuit

—0—
JOINT APPENDIX

—0—

WILLIAM R. NICHOLAS,
KAREN S. BRYAN,
Latham & Watkins
555 South Flower Street,
Los Angeles, CA 90071,
(213) 485-1234,
Special Counsel for
Petitioners,

DUANE TEWELL,
DAVID TEWELL,
Tewell, Thorpe & Findlay
Inc., P.S.,
1710 Pacific Building,
Seattle, WA 98104
(206) 623-2369,
Counsel for Petitioners.

REX E. LEE,
Solicitor General,

ROGER M. OLSEN,
Acting Assistant
Attorney General,

ALBERT G. LAUBER, JR.,
Assistant to the
Solicitor General,

JONATHAN S. COHEN,
KENNETH L. GREENE,
Attorneys,

Department of Justice
Washington, D.C. 20530
(202) 633-2217,
Counsel for Respondent.

—0—
PETITION FOR WRIT OF CERTIORARI FILED
NOVEMBER 14, 1983
WRIT OF CERTIORARI GRANTED FEBRUARY 21, 1984

—0—
COCKLE LAW BRIEF PRINTING CO., (800) 835-7427 Ext. 333

• BEST AVAILABLE COPY •

TABLE OF CONTENTS

	Pages
Relevant Docket Entries from the United States Tax Court	1
Relevant Docket Entries from the United States Court of Appeals for the Ninth Circuit	2
Petition for Redetermination of Tax Deficiency Filed in the United States Tax Court on Decem- ber 26, 1979, by Harold T. and Marie B. Paulsen	3
Answer Filed in the United States Tax Court on February 19, 1980 by Commissioner of Internal Revenue	8
Amendment to Answer Filed in the United States Tax Court on December 8, 1980 by Commis- sioner of Internal Revenue	11
Stipulation of Facts Filed in the United States Tax Court on December 9, 1980	14
Relevant Exhibits to Stipulation of Facts:	
Exhibit 3-C—Articles of Incorporation of Com- merce Savings and Loan Association	20
Exhibit 4-D—Bylaws of Commerce Savings and Loan Association	26
Exhibit 5-E—Official Charter and Bylaws of Citizens Federal Savings and Loan Association	37
Exhibit 6-F—Plan for Merger	54
The following opinions, decision and judgment rendered in this case have already been re- printed in the Appendix to the Petition for Cer- tiorari (Pet. App.) at the pages indicated:	
United States Tax Court Opinion Filed on March 2, 1982	Pet.App. 1
United States Tax Court Decision Entered on March 8, 1982	Pet.App. 19

TABLE OF CONTENTS—Continued

	Pages
Ninth Circuit Opinion Filed on August 16, 1983	Pet.App. 20
Ninth Circuit Judgment Entered on August 16, 1983	Pet.App. 33

No. 83-832

In The

Supreme Court of the United States

October Term, 1983

HAROLD T. and MARIE B. PAULSEN,

Petitioners,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

On Writ of Certiorari
to the United States Court of Appeals
for the Ninth Circuit

JOINT APPENDIX**RELEVANT DOCKET ENTRIES**

United States Tax Court

HAROLD T. and MARIE B. PAULSEN,
Petitioners,

vs.

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

Docket No. 17549-79

<u>Date</u>	<u>Filings and Proceedings</u>
12/26/79	PETITION filed: fee paid
02/19/80	ANSWER by Resp. filed (c/s 2/13/80)
11/03/80	MOTION by Resp. for leave to file Amendment to Answer. (Amendment to Answer Lodged - c/s 10/30/80)
12/08/80	TRIAL at Seattle, WA before Judge
12/09/80	Featherston

MOTION by Resp. filed Nov. 3, 1980 -
GRANTED Dec. 8, 1980

Stipulation of facts with exhibits attached filed
12/9/80

03/02/82 OPINION filed Judge Featherston

06/07/82 NOTICE OF APPEAL to U.S.C.A., 9th Cir.,
filed by Resp.

United States Court of Appeals
For The Ninth Circuit

HAROLD T. and MARIE B. PAULSEN,
Petitioners-Appellees,
vs.

COMMISSIONER OF INTERNAL REVENUE,
Respondent-Appellant.

Docket No. 82-7329

Date Filings and Proceedings

06/10/82	DOCKETED CAUSE & ENTD APPEARANCE OF COUNSEL
04/05/83	Argued and Submitted before Hug, Poole, Nor- ris, Cjj
08/16/83	ORDERED OPINION FILED (NORRIS) & JUDG TO BE FILED & ENTD.
08/16/83	FILED OPINION REVERSED
08/16/83	FILED & ENTD JUDGMENT
09/06/83	MANDATE ISSUED
09/19/83	Issued amended mandate to include costs
12/02/83	As of 12/1/83 Rec'd notice from SC re filing cert. # 83-832
02/27/84	Rec'd certified copy of Supreme Court's order granting cert.

UNITED STATES TAX COURT

HAROLD T. and MARIE B. PAULSEN,
Petitioners,
vs.

COMMISSIONER OF INTERNAL REVENUE,
Respondent.
Docket No. 17549-79

PETITION

The petitioners hereby petition for a redetermination
of the deficiency set forth by the Commissioner of In-
ternal Revenue in his Notice of Deficiency (AP:SEA:90:
RMF:MCB), dated September 26, 1979, and as the basis
for their case allege as follows:

1. The petitioners, Husband and Wife, are individ-
uals with legal residence now at 1035 South Whitman
Street No. 1, Tacoma, Washington 98465. Petitioners' tax
payer identification number is SSN539-05-5548. The return
for the period herein involved was filed with the Office of
Internal Revenue Service at Ogden, Utah.

2. The Notice of Deficiency (a copy of which is at-
tached hereto and marked Exhibit "A") was mailed to the
petitioners on September 26, 1979, and was issued by the
Office of the Internal Revenue Service at Seattle, Wash-
ington.

3. The deficiencies as determined by the commis-
sioner are in income taxes for the calendar year 1976,
in the amount of \$40,913, all of which is in dispute.

4. The determination of tax set forth in the said
Notice of Deficiency is based upon the following errors:

(a) The commissioner erred in determining that the
merger between Commerce Savings & Loan Association,

in which the petitioners were shareholders, and Citizens Federal Savings & Loan Association did not constitute a qualified organization within the meaning of § 368 (a) (1) (A) of the Internal Revenue Code of 1954.

(b) The commissioner erred in determining that the exchange of proprietary interest in stock in Commerce Savings & Loan for proprietary interest in Citizens Federal Savings & Loan, all pursuant to the merger agreement of November 7, 1975, constituted a taxable event.

(c) The commissioner erred in determining that Harold T. and Marie B. Paulsen are subject to a tax deficiency in the amount of \$40,913 for the taxable year ending December 31, 1976.

5. The facts upon which the petitioner relies, as the basis of its case, are as follows:

(a) On or about July 1, 1976, the stockholders, of which the petitioners are two, of Commerce Savings & Loan Association, a State chartered savings and loan association, exchanged all of their common stock in the corporation for time certificates of deposit and restricted passbook accounts of Citizens Federal Savings & Loan Association of Seattle, Washington, a federally chartered mutual savings and loan association.

(b) Upon completion of exchange, Commerce Savings & Loan Association was merged into Citizens Federal Savings & Loan with the combined business activity being continued in the Citizens name.

(c) The exchange and merger were treated by the parties as resulting in the recognition of no gain or loss under § 354 (a) (exchanges of stock and securities in certain reorganizations) and § 368 (a) (1) (A), which defines "reorganizations" as including a statutory merger or consolidation.

(d) The face amount of time certificates and restricted passbook accounts received by shareholders for their 210,968 shares of commerce stock totalled \$2,531,616.00. The stock had a par or stated value of \$2.50.

(e) The shareholders had the election of receiving either time certificates of one- to ten-year maturity, or restricted passbook accounts, from which no withdrawal could be made for a period of one year.

(f) With regard to Commerce's bad debt reserves, no bad debt charge-off was required by specific orders of the supervisory authorities having jurisdiction over the taxpayer's operations for this period ending June 30, 1976.

(g) With regard to the voting privileges associated with Citizens Federal Savings and Loan passbook accounts and time certificates:

Citizens Federal, the transferee of all of the taxpayer's assets and liabilities, is a federally chartered, mutual association. Votes of the membership in the election of directors and other matters are cast by the depositors and borrowers on the following basis:

Depositors—One vote for each \$100.00 of deposit or fraction thereof of withdrawable value to a maximum of 50 votes per depositor (subsequently amended to 400 votes per depositor).

Time Certificate Holders—Same as for depositors.

Mortgagors—One vote regardless of loan amount.

(h) Under the terms of its Federal charter, Citizens Federal Savings and Loan Association is a mutual savings and loan association owned entirely by its members who are savings account holders and borrowers. Such

members are entitled to vote on all matters requiring such action, and are entitled to vote on all matters requiring such action (sic), and are entitled to share in any distribution of assets, pro rata to the value of the accounts, in the event of voluntary or involuntary liquidation, dissolution, or winding up of the association. No other type of equity security or proprietary interests may exist in the association.

(i) The Internal Revenue Code recognizes the similarities between membership in such an association and a stock or proprietary interest in a corporation in its definitions included in I.R.C. Section 7701(a):

"Stock—The term stock includes shares in an association, joint-stock company, or insurance company."

"Shareholder—The term shareholder includes a member in an association, joint-stock company, or insurance company."

(j) The charter of the association emphasizes the distinction between savings account holders (members) and creditors in imposing certain restrictions on withdrawals. "Holders of savings accounts for which applications for withdrawal have been made shall remain holders of savings accounts until paid and *shall not become creditors.*" (Last sentence of paragraph 6 in the Charter.)

(k) Petitioners have exchanged their proprietary interest in the stock of Commerce Savings and Loan Association for a similar proprietary interest in the successor association Citizens Federal Savings and Loan Association and have not realized a gain on the disposition of stock.

As of July 31, 1978, over two years after the merger, 73.9 percent of the savings accounts and certificates of

Citizens Federal Savings & Loan Association issued for shares of Commerce Savings & Loan Association stock, were held by the same persons or the same interests (in the case of heirs of certificate holders).

WHEREFORE, the petitioners pray that the court may hear the proceeding and:

1. Determine that the commissioner erred as alleged in each assignment of error set forth in paragraph 4 hereinabove;
2. Find that there is no deficiency in income tax for the taxable year ending December 31, 1976.
3. Give such other and further relief as the court may deem fit and proper.

/s/ Duane Tewell of Elvige, Vebben, Tewell, Bergmann & Thorpe

Counsel for Petitioners

1710 Pacific Building
Seattle, Washington 98104
(206) 623-2369

/s/ David Tewell of Elvige, Vebben, Tewell, Bergmann & Thorpe

Counsel for Petitioners

1710 Pacific Building
Seattle, Washington 98104
(206) 623-2369

DATED this 19th day of December, 1979.

(Statutory Notice of Deficiency, Exhibit "A" to Tax Court Petition, omitted in printing.)

UNITED STATES TAX COURT

(Title omitted in printing)

ANSWER

THE RESPONDENT, in answer to the petition filed in the above-entitled case, admits, denies and alleges as follows:

1. Admits the allegations of paragraph 1 of the petition.

2. Admits the allegations of paragraph 2 of the petition except it is denied that a copy of the notice of deficiency is attached to the copy of the petition served upon the respondent. Alleges that a complete copy of the statutory notice of deficiency is attached as Exhibit A.

3. Admits the allegations of paragraph 3 of the petition.

4(a) to (e), inclusive. Denies the allegations of subparagraphs (a) to (e), inclusive, of paragraph 4 of the petition.

5(a) to (d), inclusive. Admits the allegations of subparagraphs (a) to (d), inclusive, of paragraph 5 of the petition.

(e) Admits that the shareholders had the right to receive restricted passbook accounts, from which no withdrawal could be made for a period of one year. The respondent currently lacks knowledge or information sufficient to form a belief as to the truthfulness of the remaining allegations contained in subparagraph (e) of paragraph 5 of the petition, and therefore denies same.

(f) Admits the allegations of subparagraph (f) of paragraph 5 of the petition.

(g) The respondent lacks knowledge or information as to whether the charter of Citizens Federal Savings and Loan Association of Seattle was subsequently amended to permit 400 votes per depositor and therefore denies same. Admits the remaining allegations of subparagraph (g) of paragraph 5 of the petition.

(h) Admits that under the terms of its Federal charter, Citizens Federal Savings and Loan Association is a mutual savings and loan association owned entirely by its members who are savings account holders and borrowers. The respondent currently lacks knowledge or information sufficient to form a belief as to the truthfulness of the remaining allegations contained in subparagraph (h) of paragraph 5 of the petition, and therefore denies same.

5(i) Admits that I.R.C. § 7701(a) provides, in part:
 "Stock—The term stock includes shares in an association, joint-stock company, or insurance company."
 "Shareholder—The term shareholder includes a member in an association, joint-stock company, or insurance company."

Denies the remaining allegations of subparagraph (i) of paragraph 5 of the petition.

(j) The respondent currently lacks knowledge or information sufficient to form a belief as to the truthfulness of the allegations contained in subparagraph (j) of paragraph 5 of the petition, and therefore denies same.

(k) Denies that petitioners have exchanged their proprietary interest in the stock of Commerce Savings

and Loan Association for a similar proprietary interest in the successor association Citizens Federal Savings and Loan Association and have not realized a gain on the disposition of stock.

The respondent currently lacks knowledge or information sufficient to form a belief as to the truthfulness of the remaining allegations contained in subparagraph (k) of paragraph 5 of the petition, and therefore denies same.

6. Denies generally each and every allegation of the petition not hereinbefore specifically admitted, qualified or denied.

WHEREFORE, it is prayed that the deficiency determined by the respondent be in all respects approved.

N. Jerold Cohen
Chief Counsel
Internal Revenue Service

By: /s/ Richard J. Shipley
District Counsel

Dated: Feb. 13, 1980

Of Counsel:

Emory L. Langdon
Regional Counsel
Wayne R. Appleman
Attorney
Internal Revenue Service
Room 2710, Federal Building
915 Second Avenue
Seattle, Washington 98174
Tel. No. (206) 442-5272

(Certificate of service omitted in printing.)

(Statutory Notice of Deficiency, Exhibit "A" to Tax Court Answer, omitted in printing.)

UNITED STATES TAX COURT

(Title omitted in printing)

AMENDMENT TO ANSWER

THE RESPONDENT, for Amendment to the Answer filed in the above-entitled case, adds after paragraph 6 and prior to the prayer the following allegations:

7. IN FURTHER SUPPORT of the determination that the exchange by petitioners of 17,459 shares of common stock of Commerce Savings & Loan Association for certain time certificates and passbook savings accounts of Citizens Federal Savings and Loan Association in the total amount of \$209,508.00 did not qualify as a tax-free exchange, and in support of respondent's claim for an increased deficiency in income for the taxable year 1976, the respondent alleges:

(a) In the explanation of items included as part of the statutory notice of deficiency issued to the petitioners, it is stated that the petitioners realized gain on the exchange of 17,459 shares of common stock of Commerce Savings & Loan Association for certain time certificates and passbook savings accounts of Citizens Federal Savings and Loan Association, a nonstock, federally-chartered savings and loan association, in the amount of \$152,706.00.

(b) The explanation of items further indicates that the gain realized on 16,069 shares of such stock is subject to capital gain treatment and the remaining 1,390 shares are subject to ordinary income treatment.

(e) The statutory notice was based on the theory that the passbook savings accounts and time certificates were received by the petitioners in exchange for their stock in Commerce Savings and Loan Association.

(d) In the alternative, it is respondent's position that petitioners' exchange of Commerce Savings and Loan Association stock for passbook savings accounts and time certificates in Citizens Federal Savings and Loan Association, results in recognition of the entire amount of the gain realized pursuant to I.R.C. §§ 354 and 356(a) (2).

(e) Pursuant to this alternative argument, the passbook savings accounts and time certificates constitute pro rata "boot" distributed in connection with a reorganization and are dividend income to the extent of gain recognized on the exchange by the petitioners and to the extent that Commerce Savings and Loan Association had sufficient earnings and profits.

(f) The petitioners had, under this alternative theory, additional gain in the amount of \$152,706.00, of which \$74,831.00 is dividend income, with the remainder of \$77,875.00 treated as capital gain (\$76,137.00) or ordinary income (\$1,738.00) because of an early disposition of option stock.

(g) The petitioners, accordingly, had additional tax due of \$52,107.00 for the taxable year 1976.

WHEREFORE, the respondent prays that the Court redetermines (sic) the deficiency in income tax for the taxable year 1976 to be the amount determined by the respondent, in the statutory notice of deficiency, namely, \$40,-

913.00, or in the alternative \$52,107.00 as alleged in this Amendment to Answer.

N. Jerold Cohen
Chief Counsel
Internal Revenue Service

By: /s/ Richard J. Shipley
District Counsel

Dated: Oct. 30, 1980

Of Counsel:

Emory L. Langdon
Regional Counsel
Wayne R. Appleman
Attorney
Internal Revenue Service
Rm: 2710 Federal Building
915 2nd Ave.
Seattle, Washington 98174
Tel: (206) 442-5267

(Certificate of Service omitted in printing.)

UNITED STATES TAX COURT

(Title omitted in printing)

STIPULATION OF FACTS

The parties hereby stipulate and agree that for the purpose of this case, the following facts and exhibits attached hereto and made a part hereof may be taken as true.

1. The petitioners currently reside in Tacoma, Washington. The mailing address and legal residence of the petitioners at the time of the filing of their petition with this Court was 1035 South Whitman Street #1, Tacoma, Washington 98465.

2. Petitioners filed their income tax return for the calendar year 1976 with the Western Service Center, Ogden, Utah. Attached hereto and made a part hereof is Joint Exhibit 1-A as a true and correct copy of said return.

3. The Commissioner of Internal Revenue raised a Statutory Notice of Deficiency to the petitioners on September 26, 1979, alleging a deficiency in income tax for the calendar year 1976 in the amount of \$40,913. Attached hereto and made a part hereof as Joint Exhibit 2-B is a true and correct copy of said Statutory Notice of Deficiency.

4. Commerce Savings and Loan Association of Tacoma, Tacoma, Washington (hereinafter sometimes referred to as Commerce) was a State-chartered savings and

loan association incorporated and operating under the laws of the State of Washington. Attached hereto and made a part hereof as Joint Exhibits 3-C and 4-F are true and correct copies of the articles of incorporation, and bylaws of the Commerce Savings and Loan Association, respectively.

5. Citizens Federal Savings and Loan Association of Seattle, Washington (hereinafter sometimes referred to as Citizens Federal), is a federally-chartered mutual savings and loan association, authorized, organized, and chartered by the Federal Home Loan Bank Board under the provisions of 12 USC, §1461 *et seq* and the regulations promulgated thereunder. Attached hereto and made a part hereof as Joint Exhibit 5-E is a true and correct copy of the official charter and bylaws of Citizens Federal Savings and Loan Association.

6. Petitioner Harold T. Paulsen was president and a director of Commerce during the twelve-month period preceding June 30, 1976. At all time (sic) material hereto, petitioner Harold T. Paulsen and petitioner Marie B. Paulsen were and are husband and wife. All of petitioners' stock in Commerce Savings and Loan was owned as community property by Harold T. and Marie B. Paulsen.

7. On June 30, 1976, the petitioners owned 17,459 shares of stock in Commerce. Petitioners acquired 1,390 shares of stock on June 30, 1976, pursuant to a qualified stock option plan.

8. On or about July 1, 1976, the stockholders of Commerce exchanged all of their stock in Commerce for passbook accounts and time certificates of deposit of Citizens

Federal. The exchange was in accordance with the provisions and/or the intent of the Plan for Merger. Attached hereto and made a part hereof as Joint Exhibit 6-F is a true and correct copy of the Plan for Merger.

9. Upon completion of the exchange of stock for passbook accounts and time certificates of deposit, Commerce was merged into Citizens Federal with the combined business activity being continued in Citizens Federal's name.

10. The exchange and merger were treated by Citizens Federal and Commerce as a reorganization pursuant to Section 368(a)(1)(A), resulting in no recognized gain or loss to Commerce shareholders pursuant to Section 354(a). Petitioners treated the exchange and merger as requiring the recognition of gain realized on the time certificates as of the date of their maturity and gain realized on the passbook accounts as of the date of withdrawals. Petitioners have made no withdrawals from their passbook accounts between July 1, 1976 and the present.

11. At the time of the merger, the shareholders of Commerce tendered to Citizens Federal 210,968 shares of Commerce stock. This represented all the outstanding stock of Commerce.

12. At the time of the merger, Citizens Federal tendered \$2,531,616 to the shareholders of Commerce, in the form of passbook accounts and time certificates of deposit in exchange for the Commerce stock. The shareholders of Commerce received the following passbook accounts and time certificates.

	NO. OF ACCOUNTS	AMOUNT	PERCENT OF TOTAL
Passbooks—restricted	73	\$ 671,040	26.5
Certificates:			
12 months	68	823,740	32.5
18 months	15	288,132	11.4
20 months	1	91,728	3.6
24 months	4	88,788	3.5
29 months	1	12,000	.5
30 months	10	129,756	5.1
36 months	6	84,156	3.3
48 months	19	251,532	9.9
54 months	2	7,848	.3
60 months	2	10,296	.4
72 months	6	33,072	1.3
80 months	1	3,864	.2
84 months	1	2,400	.1
96 months	1	1,800	.1
108 months	1	1,404	.1
120 months	1	24,060	1.0
		<u>\$2,531,616</u>	<u>100.0</u>

13. Pursuant to the provisions of paragraph 11(c) of the Plan For Merger (Joint Exhibit 5-E), the shareholders of Commerce exchanged each share of capital stock in Commerce for a \$12 deposit in a regular passbook savings account in Citizens Federal, with said deposit not to be withdrawn for a period of one year. The shareholders also had the option of exchanging their shares at the same rate for time certificates of deposit of one- to ten-year maturity in Citizens Federal. Although this option was the intent of the parties, through a typographical error, the Plan for Merger does not reflect the second option.

14. Citizens Federal is owned by its members consisting of all savings account holders and borrowers. Mem-

bers possess all the proprietary interests existing in Citizens Federal. Citizens Federal has no capital stock.

15. Paragraph 11(c) of the Plan for Merger (Joint Exhibit 5-E) also provided that each prior shareholder of Commerce shall have borrowing privileges against the resulting deposits at a rate of 1.5 percent above the passbook rate. The passbook rate during the period July 1, 1976, through June 30, 1977, was 5.25 percent.

16. Citizens Federal savings account holders, other than former shareholders of Commerce, were charged a rate of 2.0 percent above the passbook rate on loans secured by their accounts.

17. On July 1, 1976, the petitioners exchanged the following shares of capital stock in Commerce for passbook and time certificates of deposit in Citizens Federal:

Date of Acquisition	# Shares	Cost Basis	Consideration Received	Type	Gain
3- 8-63	3,356	\$ 7,500	\$ 40,272	Passbook	\$ 32,772
6-26-70	3,359	7,500	40,308	2 yr. cert.	32,808
12-31-71	3,358	7,500	40,296	18 mos. cert.	32,796
10-24-72	3,358	7,500	40,296	18 mos. cert.	32,796
1- 1-73	667	7,530	8,004	1 yr. cert.	474
2-19-74	1,971	6,000	23,652	3 yr. cert.	17,652
6-30-76	861	7,500	10,332	3 yr. cert.	2,832
6-30-76	529	5,772	6,348	4 yr. cert.	576
	<hr/> 17,459	<hr/> \$56,802	<hr/> \$209,508		<hr/> \$152,706

18. The undistributed earnings and profits of Commerce, accumulated after February 28, 1913, were \$1,164,029.00 on June 30, 1976.

N. Jerold Cohen
Chief Counsel
Internal Revenue Service

By: Richard J. Shipley
District Counsel
Internal Revenue Service
Rm: 2710 Federal Bldg.
915 2nd Ave.
Seattle, Washington 98174
Tel: (206) 442-5267

Duane Tewell
Counsel for Petitioners
1710 Pacific Bldg.
Third and Columbia
Seattle, Washington 98104
Tel: (206) 623-2369

EXHIBIT 3-C

ARTICLES OF INCORPORATION
of
COMMERCE SAVINGS AND LOAN ASSOCIATION

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, LESTER S. BASKIN, E. H. BRUS, R. GENE GRANT, J. S. MARTINAC, CARL L. PHILLIPS, A. R. WALKER, J. A. WOODWORTH and PAUL R. KIRK, each being above the age of twenty-one years, citizens of the United States and residents of Pierce County, Washington, do hereby associate themselves together for the purpose of forming a savings and loan association, under the laws of the State of Washington, and in pursuance thereof do hereby sign and acknowledge the following Articles of Incorporation in quadruplicate originals, and do state as follows:

ARTICLE I

That the name of the corporation shall be COMMERCE SAVINGS AND LOAN ASSOCIATION.

ARTICLE II

That the principal place of business of the corporation shall be in the City of Tacoma, County of Pierce, State of Washington.

ARTICLE III

That the purpose of this corporation is to conduct a savings and loan association under the laws of the State of Washington, and to transact such business and to perform such acts as are permitted under the laws of the State of Washington for such association and corporation.

ARTICLE IV

The duration of this corporation shall be perpetual.

ARTICLE V

The amount of paid-in savings with which the corporation will commence business shall be and is the sum of \$200,000.00.

ARTICLE VI

The shares of guaranty stock issued by the Association shall be of a par value of \$100.00 per share and the minimum amount of such stock shall be \$75,000.00 when issued and shall be fully paid and maintained as fixed and permanent non-withdrawable capital. Guaranty stock may be issued in the amount set forth in these Articles of Incorporation and shall be maintained in the greater of the following amounts.

(a) The amount of guaranty stock required by Chapter 33.48, Section .030 of the Revised Code of Washington relating to Guaranty Stock State Savings and Loan Associations.

(b) An amount equal to two per cent (2%) or the first \$10,000,000.00 of withdrawable shares, plus one per cent (1%) of all withdrawable shares in excess of \$10,000,000.00, provided, however, that with respect to the requirements of this sub-section (b) only, undivided profits may be earmarked as a substitute for stock up to fifty per cent (50%) of the stock requirements, but not in excess of \$50,000.00, for a period of time not to exceed three years, and all undivided profits so earmarked shall be subject to all the limitations which apply to stock; and provided

further that whenever the aggregate amount of guaranty stock is less than the requirements herein specified, cash dividends, computed on the latest fiscal year-end book value of the guaranty stock, shall not be higher than the lowest rate paid on withdrawable share accounts.

ARTICLE VII

That for a period of five years from the date of approval of these Articles of Incorporation by the Supervisor of the Division of Savings & Loan Associations of the State of Washington, no share of guaranty stock shall be voted affirmatively without the prior written approval of the said Supervisor for any proposal which would have the effect of sale, conversion, merger or consolidation with any foreign savings and loan association or affiliated financial interest; this Article shall not be revoked, altered or amended without the prior written approval of the said Supervisor; and that the provision of this Article shall be endorsed upon all certificates of guaranty stock issued by the said Association.

ARTICLE VIII

The first directors of this corporation and their respective occupations and post office addresses are as follows:

Name	Occupation	Address
Lester Baskin, M.D.	Physician and Surgeon	906 N. Tacoma Ave. Tacoma, Wash.
E. H. Brus	Investments	11414 Clovercrest Dr., S.W., Tacoma, Wash.
R. Gene Grant	Vice President, Cheney Lumber Co.	10422 Brook Lane S. W. Tacoma, Wash.
J. S. Martinac	President, Martinac Shipbuilding Company	11518 Gravelly Lake, N.W. Tacoma, Wash.
Carl L. Phillips	Retired	13 Forrest Glen Lane S.W. Tacoma, Wash.
A. R. Walker	Retired	23 Lagoon Lane Tacoma, Wash.
J. A. Woodworth	President, Woodworth & Co., Inc., General Contractors	424 North "D" St. Tacoma, Wash.
Paul R. Kirk	President, G. R. Kirk Co., Christmas Trees	7119 Interlaken Drive S.W. Tacoma, Washington

ARTICLE IX

The name, occupation and place of residence of each incorporator is as follows:

Name	Occupation	Address
Lester Baskin, M.D.	Physician and Surgeon	906 N. Tacoma Ave. Tacoma, Wash.
E. H. Brus	Investments	11414 Clovercrest Dr., S.W., Tacoma, Wash.
R. Gene Grant	Vice President Cheney Lumber Co.	10422 Brook Lane S. W. Tacoma, Wash.
J. S. Martinac	President, Martinac Shipbuilding Company	11518 Gravelly Lake N. W. Tacoma, Washington
Carl L. Phillips	Retired	13 Forrest Glen Lane S. W. Tacoma, Washington
A. R. Walker	Retired	23 Lagoon Lane N. Tacoma, Washington
J. A. Woodworth	President, Woodworth & Co., Inc., General Contractors	424 North "D" Street Tacoma, Washington
Paul R. Kirk	President, G. R. Kirk Co., Christmas Trees	7119 Interlaken S. W. Tacoma, Wash.

IN WITNESS WHEREOF, the incorporators have hereunto set their hands and seals this 6th day of July, 1962.

(Subscriptions omitted in printing.)

(Jurat omitted in printing.)

(Approval of compliance omitted in printing.)

(Receipts for fees and Articles of Incorporation omitted in printing.)

(Certification of Articles of Incorporation omitted in printing.)

EXHIBIT 4-D

BY-LAWS OF
 COMMERCE SAVINGS AND LOAN
 ASSOCIATION OF TACOMA
 TACOMA, WASHINGTON

ARTICLE I

MEMBERSHIP

Section 1: Each holder of a savings account or guaranty stock in this association shall be a member and shall have, except as limited by further provisions of these by-laws, a proportionate proprietary interest in its assets or net earnings subordinate to the claims of its creditors, except that in case of involuntary liquidation, juvenile and school savings accounts will be entitled to be paid in full before the distribution of remaining assets to other accounts and as further excepted in Article II of these by-laws. Each borrower and each contract purchaser indebted to the association shall also be a member. Savings accounts may be held absolutely by, or in trust for, any person, including an individual, male or female, adult or minor, single or married, a partnership, association or corporation. Two or more persons may hold savings accounts jointly with right of survivorship or in any other manner permitted by law. The State of Washington and the municipal corporations thereof, and trustees, administrators, executors, guardians and other fiduciaries, either individuals or corporate, in their fiduciary capacity, may become members.

ARTICLE II
 GUARANTY STOCK

Section 1: The shares of guaranty stock issued by the association shall be of a par value of \$100.00 [Illegible handwritten amendments to par value omitted] per share and the minimum amount of such shall be \$240,000 when issued and shall be fully paid and maintained as fixed and permanent nonwithdrawable capital. Guaranty stock may be issued in the amounts set forth in the Articles of Incorporation and shall be maintained in the greater of the following amounts: [Handwritten notations omitted]

- (a) The amount of guaranty stock required by Chapter 33.48, Section .030 of the Revised Code of Washington relating to guaranty stock savings and loan associations.
- (b) An amount equal to 2% of the first \$10,000,000 of withdrawable shares, plus 1% of all withdrawable shares in excess of \$10,000,000; provided, however, that with respect to the requirements of this subsection (b) only, undivided profits may be earmarked as a substitute for stock up to 50% of the stock requirement, but not in excess of \$50,000, for a period of time not to exceed three years, and all undivided profits so earmarked shall be subject to all the limitations which apply to stock; and provided further that whenever the aggregate amount of guaranty stock is less than the requirements herein specified, cash dividends, computed on the latest fiscal year end book value of the guaranty stock, shall not be higher than the lowest rate paid on withdrawable share accounts.

Section 2: Guaranty stock shall be paid for in cash at par and shall not be eligible for loans from the association. Guaranty stock shall not be subject to withdrawal except upon liquidation or dissolution and until all claims

of creditors and the claims of all other classes of members first shall have been fully paid. Guaranty stockholders shall participate in distribution of assets upon liquidation or dissolution after payment has been made in full to all creditors and to all holders of withdrawable capital. No dividends shall be declared on guaranty stock until the reserves required by law and the total of the guaranty stock, undivided profits and all reserves available for losses, less all estimated and determined losses resulting from the depreciation in value of the assets is equal to 5% of the savings. Subject to the laws of the State of Washington, guaranty stock shall be entitled to such rate of dividend, if earned, as fixed by the board and stock dividends may be declared and issued by the board at any time, payable from otherwise surplus and undivided profits, provided that no dividend shall be paid or credited upon shares of guaranty stock for any period in which the association shall not have declared and paid dividends upon withdrawable savings.

ARTICLE III

CLASSES OF SAVINGS ACCOUNTS

Section 1: The association is authorized to issue the following classes of savings accounts:

- (a) SAVINGS ACCOUNTS which represent the usual type of savings on which payments may be made at any time.
- (b) INSTALLMENT ACCOUNTS on which payments shall be made at regularly designated intervals until such installments, together with dividends credited, shall accumulate to an agreed amount.
- (c) FULLY PAID ACCOUNTS upon which a single payment shall be paid at the time of subscription,

such accounts may be issued only in multiples of \$100.

- (d) JUVENILE ACCOUNTS which are those issued in the name of minors. Such accounts may be withdrawn at any time regardless of the status as to the withdrawal of other classes of accounts. Juvenile savings shall receive the same rate of dividend as is paid on savings accounts.
- (e) SCHOOL SAVINGS ACCOUNTS. School savings shall receive the same rate of dividend as is paid on savings accounts.
- (f) Capital in the form of savings deposits, shares, or other accounts for fixed, minimum or indefinite periods of time (all of which are referred to in this section as savings accounts and all of which shall have the same priority upon liquidation) as are authorized by its bylaws, and may issue such passbooks, time certificates of deposit, or other evidence of savings accounts. (amended 6/19/69)

Section 2: All classes of accounts except FULLY PAID ACCOUNTS shall be represented by a passbook. FULLY PAID ACCOUNTS shall be represented by a Fully Paid Certificate.

Section 3: The board of directors may prescribe the rules and regulations under which savings of Classes (b), (c), (d) and (e) are received.

Section 4: All classes of accounts shall be transferable only upon the books of the association and upon proper application by the transferee and upon acceptance of the transferee as a member upon terms approved by the board of directors.

ARTICLE IV DIVIDENDS

Section 1: Except as provided in Section 2 of this article, all classes of savings accounts shall participate equally in dividends pro-rata to paid in value, including credited dividends.

Section 2: The board of directors may provide for bonus dividend payments under a bonus plan.

Section 3: The association shall not be required to pay dividends on balances of less than \$5.00, or on dormant accounts as defined in Section 33.20.130 of the Revised Code of Washington, Laws of 1945, Chapter 235, Section 53.

Section 4: Dividends shall be distributed ratably to all savings members as determined by the board of directors and in accordance with the Laws of the State of Washington. The board may fix a date not later than the 10th of the month for determining the date that investments on the savings accounts shall share in earnings.

Section 5: This savings and loan association may classify its savers or depositors according to the character, amount, frequency or duration of their dealing with the association and may regulate the earnings in such manner that each saver or depositor shall receive the same returnable portion of dividends or interest as all others of his class. (amended 6/19/69)

ARTICLE V WITHDRAWALS

Section 1: Savings, together with dividends credited thereon, shall be repaid upon request of the member and

presentation of passbook or certificates. Every request for withdrawal shall be in writing. If, in the judgment of the board, circumstances warrant deferrment (sic) of the payment of withdrawals to a later date, thereafter withdrawals shall be paid proportionately, on a percentage basis, to all members requesting withdrawal until full withdrawal requests are paid to all members. The board shall, however, have the right in its discretion, where need is shown, to pay not exceeding \$100.00 to any account holder in one month. Every member shall participate in the dividends of the association until his withdrawal is paid.

ARTICLE VI FINES, FEES AND PENALTIES

Section 1: The association shall not directly or indirectly charge any membership, admission, repurchase, withdrawal, or other fee or sum of money for the privilege of becoming, remaining or ceasing to be a savings member of the association.

ARTICLE VII EXPENSES

Section 1: Expenses must be budgeted and limited according to the laws of the State of Washington. Operating expenses shall include salaries, wages, office rent, operating expenses of quarters actually occupied by the association, advertising, printing, stationery, postage, telephone, telegrams, donations, contributions to employees' pension or retirement plan, insurance premiums, appraisal expense, dues to civic organizations, also to state and national savings and loan leagues, expenses of attending meetings, and other like expenses. "Operating expenses"

as used in this connection shall not be construed to include taxes, assessments, repair or insurance on real estate owned other than Home Office Building, or commissions on the sale of real estate, or any interest which the association may have paid or become liable to pay, expenses of foreclosures, suits or other bona fide litigations, or charges for state license fees.

ARTICLE VIII

LOANS AND INVESTMENTS

Section 1: The funds of the association may be loaned or invested as the board of directors may direct, and as prescribed by the laws of the State of Washington.

ARTICLE IX

RESERVES

Section 1: There shall be established certain reserves as prescribed by the laws of the State of Washington, and such others as the board at its discretion may prescribe.

ARTICLE X

VOTING AND PROXIES

Section 1: In consideration of all questions requiring action by the members, each holder of a savings account shall be permitted to cast one vote for each \$100 of the participation value of his savings accounts and owners of guaranty stock shall be entitled to one vote for each share of stock, for which such voting rights shall not be subject to cumulative voting. A borrowing member shall be permitted, as a borrower, to cast one vote, and to cast

the number of votes to which he may be entitled as the holder of a savings account. Voting may be by proxy. A majority of all votes cast at any meeting of members shall determine any question.

ARTICLE XI

MEETING OF MEMBERS

Section 1: The annual meeting of the members shall be held at the office of the association on the fourth Thursday of January of each year at the hour of 4 o'clock P.M. If the aforesaid date falls on a legal holiday, then the said meeting shall be held on the next day not a legal holiday at the same place and time. Special meetings may be called by the board of directors stating the time, place and purpose of the meeting. Any number of members present greater than a majority of the board shall constitute a quorum.

ARTICLE XII

DIRECTORS

Section 1: The business and affairs of the association shall be managed and controlled by a board of directors of nine members, a majority of which shall not be officers or employees of the association. A majority of the board of directors shall be the owners of guaranty stock in the minimum amounts required by law for directors owning withdrawable savings. (amended 4/20/72)

Section 2: Directors shall be elected for a period of three (3) years, and in such manner that approximately one-third of the directors are elected each year.

Section 3: Vacancies in the board of directors shall be filled by vote of the members at the annual meetings

or at a special meeting called for the purpose. The board of directors may fill vacancies occurring on the board, such appointees to serve until the next annual meeting of the members.

Section 4: Meetings of the board shall be held not less than once each month, at a time to be set by resolution of the board.

Section 5: A majority of the board shall constitute a quorum for board meetings.

ARTICLE XIII OFFICERS

Section 1: The officers of the association, elected by the board, shall be a president, one or more vice presidents, a secretary, treasurer, and such additional officers as the board may from time to time determine. The offices of secretary and treasurer may be held by the same person and a vice president may also be either the secretary or treasurer or secretary-treasurer. In the absence of designation of powers and duties by the board, the officers shall have such powers and duties as generally pertain to their respective offices.

ARTICLE XIV POWERS OF THE BOARD OF DIRECTORS

The board of directors shall have the power:

Section 1: To appoint and remove the members of an executive committee (made of all members of the board, which committee shall have and exercise the power) of the board of directors between meetings of the board of direc-

tors and whose action shall be subject to approval and ratification of the board at the next subsequent meeting.

Section 2: To appoint and remove by resolution, the members of such committees as may be deemed necessary and prescribe the duties thereof.

Section 3: To fix the compensation of directors, officers and employees.

Section 4: To extend leniency and indulgence to borrowing members who are in distress, and generally to compromise and settle any debts and claims, or order mortgages or contracts foreclosed.

Section 5: To limit or reject the acceptance of savings.

Section 6: To exercise any and all of the powers of the association not expressly reserved by the articles of incorporation and by-laws to the members.

ARTICLE XV AUTHORITY

Section 1: The association shall have the authority by resolution of the board of directors to become a member of the Federal Home Loan Bank and may purchase, own, vote or sell stock in, or act as fiscal agent for, or otherwise participate in any authorized state, or Federal agency, and to apply for and accept insurance of accounts by the Federal Savings and Loan Insurance Corporation, and to pay the premiums for such insurance.

ARTICLE XVI
CONFORMITY

Section 1: Any article or provision of these by-laws in conflict with the laws of the State of Washington pertaining to savings and loan associations shall be deemed amended to conform therewith, and any matters relating to authority, control, management or operation of this savings and loan association, or any privileges granted to savings and loan associations by the law, but not specifically provided for in these by-laws, shall be carried out, granted and exercised according to the provisions of the laws of the State of Washington, and the Savings and Loan Act of 1945 as now in effect or hereafter amended.

ARTICLE XVII
AMENDMENTS

Section 1: The members may amend the articles of incorporation of the association in accordance with, and subject to the Savings and Loan Laws of the State of Washington and the approval of the Supervisor. (amended 1/26/67)

Section 2: These by-laws may be amended by the members or board of directors if in accordance with the Savings and Loan Laws of the State of Washington and approved by the Supervisor. (amended 1/26/67)

EXHIBIT 5-E

**Official Charter and Bylaws of Citizens Federal
Savings and Loan Association**

CHARTER K (REV.)

1. **Corporate title**—The full corporate title of the Federal association hereby chartered is Citizens Federal Savings and Loan Association of Seattle.

2. **Office**—The home office shall be located at Seattle, in the County of King, State of Washington.

3. **Objects and powers**—The objects of the association are to promote thrift by providing a convenient and safe method for people to save and invest money and to provide for the sound and economical financing of homes; and, in the accomplishment of such objects, it shall have perpetual succession and power: (1) To act as fiscal agent of the United States when designated for that purpose by the Secretary of the Treasury, under such regulations as he may prescribe, and shall perform all such reasonable duties as fiscal agent of the United States as he may require and to act as agent for any other instrumentality of the United States when designated for that purpose by any such instrumentality; (2) To sue and be sued, complain and defend in any court of law or equity; (3) To have a corporate seal, affixed by imprint, facsimile or otherwise; (4) To appoint officers and agents as its business shall require, and allow them suitable compensation; (5) To adopt bylaws not inconsistent with the Constitution or laws of the United States and rules and regulations adopted thereunder and this charter; (6) To raise its capital, which shall be unlimited, by accepting payments on savings accounts representing share interests in the association; (7) To borrow money; (8) To lend and otherwise invest its funds; (9) To wind up and dissolve, merge, consolidate, convert, or reorganize; (10) To purchase, hold, and convey real and personal estate consistent with its objects, purposes, and powers; (11) To mortgage or lease any real and personal estate and take such property by gift, devise or bequest; and (12) To exercise all

powers conferred by law. In addition to the foregoing powers expressly enumerated, this association shall have power to do all things reasonably incident to the accomplishment of its express objects and the performance of its express powers. It shall exercise its powers in conformity with all laws of the United States as they now are, or as they may hereafter be amended, and with all rules and regulations which are not in conflict with this charter now or hereafter made thereunder. Notwithstanding and without regard to any other provisions of this charter, the association may raise capital in the form of such savings deposits or other accounts as are authorized by regulations made by the Federal Home Loan Bank Board, and the holders of such deposits or accounts shall, to such extent as may be provided by such regulations, be members of the association and shall have such voting rights and such other rights as are thereby provided, and it may, to such extent as said Board may authorize by regulation or by other action authorized or under Federal statute, exercise any authority to borrow money, to give security, or to issue notes, bonds, debentures, or other obligations, or other securities, provided by or under any provision of Federal statute as from time to time in effect.

4. **Members**—All holders of the association's savings accounts and all borrowers therefrom are members. In the consideration of all questions requiring action by the members of the association, each holder of a savings account shall be permitted to cast one vote for each \$100, or fraction thereof, of the withdrawal value of his account. A borrowing member shall be permitted, as a borrower, to cast one vote, and to cast the number of votes to which he may be entitled as the holder of a savings account. No

member, however, shall cast more than 400 votes. Voting may be by proxy. Any number of members present at a regular or special meeting of the members shall constitute a quorum. A majority of all votes cast at any meeting of members shall determine any question. The members who shall be entitled to vote at any meeting of the members shall be those owning savings accounts and borrowing members of record on the books of the association at a date set by the board of directors and not less than 20 days and not more than 50 days prior to the date of such meeting. The number of votes which each member shall be entitled to cast at any meeting of the members shall be determined from the books of the association as of such record date. Any member at such record date who ceases to be a member prior to such meeting shall not be entitled to vote thereat. All savings accounts shall be nonassessable.

5. **Directors**—The association shall be under the direction of a board of directors of not less than 5 nor more than 15, as fixed in the association's bylaws or, in the absence of any such bylaw provision, as from time to time expressly determined by resolution of the association's members. Each director of the association shall be a member of the association, and a director shall cease to be a director when he ceases to be a member. Directors of the association shall be elected by its members by ballot: *Provided*, That in the event of a vacancy in the directorate, including vacancies created by an increase in the number of directors, the board of directors may fill such vacancy, if the members of the association fail so to do, by electing a director to serve until the next annual meeting of the members. Directors shall be elected for periods of 3 years and until their successors are elected and quali-

fied, but provision shall be made for the election of approximately one-third of the board of directors each year.

6. Withdrawals—Each withdrawal from a savings account shall be governed by this section except to the extent that a member's account book or other written evidence of the member's savings account contains additional requirements in accordance with regulations made by the Federal Home Loan Bank Board. The association shall have the right to pay the withdrawal value of its savings accounts at any time upon application therefor and to pay the holders thereof the withdrawal value thereof. Upon receipt of a written request from any holder of a savings account of the association for the withdrawal from such account of all or any part of the withdrawal value thereof, the association shall within 30 days pay the amount requested: *Provided*, That if the association is unable to pay all withdrawals requested at the end of 30 days from the date of such requests, it shall then proceed in the following manner while any withdrawal request remains unpaid for more than 30 days:

Withdrawal requests shall be paid in the order received and if any holder of a savings account or accounts has requested the withdrawal of more than \$1,000, he shall be paid \$1,000 in order when reached and his withdrawal request shall be charged with such amount as paid and shall be renumbered and placed at the end of the list of withdrawal requests, and thereafter, upon again being reached, shall be paid a like amount, but not exceeding the withdrawal value of his savings account, and until such withdrawal request shall have been paid in full, shall continue to be so paid, renumbered, and replaced at the end of the withdrawal requests on file: *Provided*, That when any such request is reached for payment, the association

shall so advise the holder of such savings account by registered mail to his last address as recorded on the books of the association and, unless such holder shall apply in person or in writing for the payment of such withdrawal request within 30 days from the date of the mailing of such notice, no payment on account of such withdrawal request shall be made and such request shall be cancelled: *And provided further*, That the board of directors shall have absolute right to pay on an equitable basis an amount not exceeding \$200 to any holder of a savings account or accounts in any calendar month and without regard to any other provision of this section.

When the association is unable to pay all withdrawal requests within a period not exceeding 30 days from the date of receipt of written request therefor it shall allot to the payment of such requests the remainder of the association's receipts from all sources after deducting from total receipts appropriate amounts for expenses, required payments on indebtedness, earnings distributable in cash to holders of savings accounts, and a fund for general corporate purposes equivalent to not more than 20 percent of the association's receipts from holders of its savings accounts and from its borrowers. Holders of savings accounts for which application for withdrawal has been made shall remain holders of savings accounts until paid and shall not become creditors.

7. Redemption—At any time sufficient funds are on hand, the association shall have the right to redeem, by lot or otherwise as the board of directors may determine, all or any part of any of its savings accounts on June 30 or December 31, by giving 30 days' notice of such redemption by registered mail addressed to the holder of each such savings account at his last address as recorded on

the books of the association. The association may not redeem any of its savings accounts when there is an impairment of its capital or when it has any request for withdrawal which has been on file and unpaid for more than 30 days. The redemption price of each savings account redeemed shall be the full value thereof, as determined by the board of directors, but in no event shall the redemption price be less than the withdrawal amount of such savings account. If a savings account which is redeemed is entitled to participate in any reserve for bonus, the amount in such reserve for bonus which is properly allocable to such savings account shall be paid as part of the redemption price thereof. If any notice of redemption shall have been duly given, and if the funds necessary for such redemption shall have been set aside so as to be and to continue to be available for that purpose, earnings upon such account shall cease to accrue from and after the date specified as the redemption date and all rights with respect to each such account shall forthwith, after such redemption date, terminate, except only the right of the holder of record of such savings account to receive the redemption price thereof without earnings.

8. Loans and investments—The association may make any loan or investment authorized by statute and the rules and regulations made by the Federal Home Loan Bank Board and in effect on August 15, 1949; it may make such additional loans and investments as may thereafter be authorized by amendments of the said rules and regulations.

9. Power to borrow—The association may borrow money in an aggregate amount not exceeding one-half of

its assets. Notwithstanding the foregoing limitation, the association may, with prior approval by the Board, borrow from a Federal Home Loan Bank or from any Federal agency or instrumentality without limitation, upon such terms and conditions as may be required by such bank or agency. The association may pledge and otherwise encumber any of its assets to secure its debts.

10. Reserves, surplus, and distribution of earnings—The association shall maintain general reserves for the sole purpose of meeting losses; such reserves shall include the reserve required for insurance of account. Any losses may be charged against general reserves. If and whenever the general reserves of the association are not equal to at least 10 percent of its capital, it shall, as of June 30 and December 31 of each year, credit to such reserves an amount equivalent to at least 5 percent of its net earnings for the 6 months' period, or such amount as may be required by the Federal Savings and Loan Insurance Corporation, whichever is greater, until such reserves are equal to at least 10 percent of the association's capital. As of June 30 and December 31 of each year, after payment or provision for payment of all expenses, credits to general reserves and such credits to surplus as the board of director may determine, and provision for bonus on savings accounts as authorized by regulations made by the Federal Home Loan Bank Board, the board of directors of the association shall cause the remainder of the net earnings of the association for the 6 months' period to be distributed promptly on its savings accounts, ratably, as declared by the board of directors, to the withdrawal value thereof; in lieu of or in addition to such net earnings, any of the association's surplus funds may be likewise distributed.

Such net earnings shall be credited to savings accounts or paid, as directed by the owner. All holders of savings accounts shall participate at the same rate and on the same basis in the distribution of earnings: *Provided*, That the association is not required to distribute earnings on short-term savings accounts or on accounts of \$10 or less. Except as provided above, earnings shall be declared on all savings accounts of record at the close of each such 6 months' period, on the withdrawal value of each such account at the beginning of the said 6 months' period, plus the payments made thereupon during such period (less amounts withdrawn and, for purposes of participation in earnings, deducted from the latest previous payments), computed at the declared rate for the time invested, determined as provided below. The date of investment shall be the date of actual receipt of such payments by the association, unless the board of directors fixes a date, not later than the tenth of the month, for determining the date of investment of payments on savings accounts or designated classes thereof. Payments, affected by such determination date, received by the association on or before such determination date, shall receive earnings as if invested on the first of such month. Payments, affected by such determination date, received subsequent to such determination date, shall receive earnings as if invested on the first day of the next succeeding month. Notwithstanding any other provision of its charter, the association may distribute net earnings on its savings accounts on such other basis and in accordance with such other terms and conditions as may from time to time be authorized by regulations made by the Federal Home Loan Bank Board. All holders of savings accounts of the association shall be entitled to equal distribution of assets, pro rata to the value of their savings

accounts, in the event of voluntary or involuntary liquidation, dissolution, or winding up of the association.

11. **Amendment of charter**—No amendment, addition, alteration, change or repeal of this charter shall be made unless such proposal is made by the board of directors of the association, and submitted to and approved by the Federal Home Loan Bank Board, and is thereafter submitted to and approved by the members at a legal meeting. Any amendment, addition, alteration, change, or repeal so acted upon and approved shall be effective, if filed with and approved by the Federal Home Loan Bank Board, as of the date of the final approval of, or as fixed by, the members.

Issued at Washington, D.C., this 9th day of February 1937.

FEDERAL HOME LOAN BANK BOARD
By , Chairman
(Signed)

Attest:

R. L. Nagle, Secretary
(Signed)

BYLAWS

1. **Annual meetings of members**—The annual meetings of the members of the association for the election of directors and for the transaction of any other business of the association shall be held at its home office at 2 o'clock in the afternoon on the fourth Thursday in September of each year, if not a Sunday or a legal holiday, or, if a Sunday or a legal holiday then on the next succeeding day not a Sunday or legal holiday. The annual meeting may be held at such other time on such day or at such other place in the same community as the board of directors may de-

termine. At each annual meeting, the officers shall make a full report of the financial condition of the association and of its progress for the preceding year, and shall outline a program for the succeeding year. Annual meetings of the members shall be conducted in accordance with Roberts' Rules of Order. In lieu of the date specified in the first sentence of this subparagraph, such annual meeting in any year may be held on another date which is not a Sunday or a legal holiday and which is not earlier than 15 days after the annual closing of the association's books, and not later than 3 months and 15 days after such closing of the Association's books, if the following requirements are met:

(i) The board of directors determines the date by resolution adopted at least 2 months before the annual closing of the books for the year preceding the year in which the annual meeting is to be held; and

(ii) Notice of said date is continuously posted in a conspicuous place in each of the offices of the association during the 50 days immediately preceding the date so determined.

2. Special meetings of members—Special meetings of the members of the association may be called at any time by the president or the board of directors, and shall be called by the president, a vice president, or the secretary upon the written request of members holding of record in the aggregate at least one-tenth of the capital of the association. Such written request shall state the purposes of the meeting and shall be delivered at the home office of the association addressed to the president. Special meetings of the members shall be conducted in accordance with Roberts' Rules of Order.

3. Notice of meeting of members—(a) Notice of each annual meeting shall be either published once a week for the two successive calendar weeks (in each instance on any day of the week) immediately prior to the week in which such annual meeting shall convene, in a newspaper printed in the English language and of general circulation in the city or county in which the home office of the association is located, or mailed postage prepaid at least 15 days and not more than 30 days prior to the date on which such annual meeting shall convene to each of its members of record at his last address appearing on the books of the association. Such notice shall state the name of the association, the place of the annual meeting and the time when it shall convene. A similar notice shall be posted in a conspicuous place in each of the offices of the association during the 14 days immediately preceding the date on which such annual meeting shall convene. If any member, in person or by attorney thereunto authorized, shall waive in writing notice of any annual meeting of members, notice thereof need not be given to such member.

(b) Notice of each special meeting shall be either published once a week for the two consecutive calendar weeks (in each instance on any day of the week) immediately prior to the week in which such special meeting shall convene, in a newspaper printed in the English language and of general circulation in the city or county in which the home office of the association is located, or mailed postage prepaid at least 15 days and not more than 30 days prior to the date on which such special meeting shall convene to each of its members of record at his last address appearing on the books of the association. Such notice shall state the name of the association, the purpose or purposes for which the meeting is called, the place of

the special meeting and the time when it shall convene. A similar notice shall be posted in a conspicuous place in each of the offices of the association during the 14 days immediately preceding the date on which such special meeting shall convene. If any member, in person or by attorney thereunto authorized, shall waive in writing notice of any special meeting of members, notice thereof need not be given to such member.

4. Meetings of the board of directors—The board of directors shall meet regularly without notice at the home office of the association at least once a month at the hour and date fixed by resolution of the board of directors. Provided, that the place of meeting may be changed by the directors. Special meetings of the board of directors may be held at any place in the territory in which the association may make loans specified in a notice of such meeting and shall be called by the secretary upon the written request of the president, or of three directors. All special meetings shall be held upon at least 3 days' written notice to each director unless notice be waived in writing before or after such meeting. Such notice shall state the place, time, and purposes of such meeting. A majority of the directors shall constitute a quorum for the transaction of business. The act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors. All meetings of the board of directors shall be conducted in accordance with Roberts' Rules of Order.

5. Officers, employees and agents—Annually at the meeting of the board of directors of the association next following the annual meeting of the members of the association, the board of directors shall elect a president, one or more vice presidents, a secretary, and a treasurer. The

offices of secretary and treasurer may be held by the same person, and a vice president may also be either the secretary or the treasurer. The board of directors may appoint such additional officers and such employees and agents as it may from time to time determine. The term of office of all officers shall be one year or until their respective successors are elected (or appointed) and qualified. However, the board of directors may authorize the association to enter into an employment contract with any officer in accordance with regulations of the Federal Home Loan Bank Board; but no such contract shall impair the right of the board of directors to remove any officer at any time. In the absence of designation from time to time of powers and duties by the board of directors, officers shall have such powers and duties as generally pertain to their respective offices.

6. Resignation of directors—Any director may resign at any time by sending a written notice of such resignation to the office of the association delivered to the secretary. Unless otherwise specified therein, such resignation shall take effect upon receipt thereof by the secretary. More than three consecutive absences from regular meetings of the board of directors, unless excused by resolution of the board of directors, shall automatically constitute a resignation, effective when such resignation is accepted by the board of directors.

7. Powers of the board—The board of directors shall have power—

(a) To appoint and remove by resolution the members of an executive committee, the members of which shall be directors, which committee shall have and exercise the powers of the board of directors between the meetings of the board of directors;

(b) To appoint and remove by resolution the members of such other committees as may be deemed necessary and prescribe the duties thereof;

(c) To fix the compensation of directors, officers, and employees; and to remove any officer or employee at any time with or without cause;

(d) To extend leniency and indulgence to borrowing members who are in distress and generally to compromise and settle any debts and claims;

(e) To limit payments on capital which may be accepted;

(f) To reject any application for savings accounts or memberships; and

(g) To exercise any and all of the powers of the association not expressly reserved by the charter to the members.

8. Execution of instruments, generally—All documents and instruments or writings of any nature shall be signed, executed, verified, acknowledged, and delivered by such officers, agents, or employees of the association or any one of them and in such manner as from time to time may be determined by resolution of the board of directors. All notes, drafts, acceptances, checks, endorsements, and all evidence of indebtedness of the association whatsoever shall be signed by each officer or officers or such agent or agents of the association and in such manner as the board of directors may from time to time determine. Endorsements for deposit to the credit of the association in any of its duly authorized depositories shall be made in such manner as the board of directors may from time to time determine. Proxies to vote with respect to shares or accounts

of other associations or stock of other corporations owned by or standing in the name of the association may be executed and delivered from time to time on behalf of the association by the president or a vice president and the secretary or an assistant secretary of the association or by any other person or persons thereunto authorized by the board of directors.

9. Savings account certificates—Such officers, employees or agents (as provided in §545.1-4(a) of Chapter 5 of Title 12 of the Code of Federal Regulations) as may be designated by the board of directors shall deliver to each person upon the initial payment on his savings account in the association an account book or other written evidence of such account.

10. Seal—The seal shall be two concentric circles between which shall be the name of the association. The year of incorporation, the word "incorporated", or an emblem may appear in the center.

11. Amendment—These bylaws may be amended at any time by a two-thirds affirmative vote of the board of directors, or by a vote of the members of the association. Each and every amendment shall be subject to the approval of the Federal Home Loan Bank Board, and shall be ineffective until such approval shall be given; *Provided*, That without the approval of the Federal Home Loan Bank Board, section 1 of the bylaws may be amended so that the time of day for convening the annual meeting may be fixed at any hour not earlier than 10 a.m. or later than 9 p.m., and a section providing for a bonus may be added or repealed as provided in the rules and regulations for the Federal Savings and Loan System.

AMENDMENTS TO BYLAWS

(a) Nominating committee—The president, at least 30 days prior to the date of each annual meeting, shall appoint a nominating committee of three persons who are members of the association. Such committee shall make nominations for directors in writing, and deliver to the secretary such written nominations at least 15 days prior to the date of the annual meeting, which nominations shall forthwith be posted in a prominent place in the home office for the 15 days' period prior to the date of the annual meeting. Provided such committee is appointed and makes such nominations, no nominations for directors except those made by the nominating committee shall be voted upon at the annual meeting unless other nominations by members are made in writing and delivered to the secretary of the association at least 10 days prior to the date of the annual meeting, which nominations shall forthwith be posted in a prominent place in the home office for the 10 days' period prior to the date of the annual meeting. Ballots bearing the names of all persons nominated by the nominating committee and by other members prior to the annual meeting shall be provided for use by the members at the annual meeting. If at any time the president shall fail to appoint such nominating committee, or the nominating committee shall fail or refuse to act at least 15 days prior to the annual meeting, nominations for directors may be made at the annual meeting by any member and shall be voted upon.

(b) New business—Any new business to be taken up at the annual meeting, including any proposal to increase or decrease the number of directors of the association, shall be stated in writing and filed with the secretary of

the association on or before thirty (30) days before the date of the annual meeting, and all business so stated, proposed and filed shall be considered at the annual meeting, but no other proposal shall be acted upon at the annual meeting. Any member may make any other proposal at the annual meeting and the same may be discussed and considered, but unless stated in writing and filed with the secretary thirty (30) days before the meeting such proposal shall be laid over for action at an adjourned, special or regular meeting of the members taking place thirty (30) days or more thereafter. This provision shall not prevent the consideration and approval or disapproval at the annual meeting of the reports of officers and committees, but in connection with such reports no new business shall be acted upon at such annual meeting unless stated and filed as herein provided.

(c) Voting by proxy—Voting at any annual or special meeting of the members may be made by proxy, it being provided that no proxies shall be voted at any meeting unless such proxies shall have been placed on file with the secretary of the association, for verification, at least five (5) days prior to the date on which such meeting shall convene.

(d) Number of directors—The number of directors of the association shall be 7.

(e) Bonus on savings accounts—The board of directors shall have exclusive power to obligate the association to distribute a bonus on savings accounts, and to terminate such obligation, in accordance with rules and regulations made by the Federal Home Loan Bank Board.

EXHIBIT 6-F

PLAN FOR MERGER

This plan for merger dated this 7th day of November, 1975, between Citizens Federal Savings & Loan Association of Seattle, a federal savings & loan association, hereinafter called Citizens, and Commerce Savings & Loan Association, hereinafter called Commerce.

Citizens is a Federally Chartered (Charter K Revised) Savings and Loan Association, organized and existing under the laws of the United States and under regulations of the Federal Home Loan Bank Board.

Commerce is a Capital Stock Association organized and existing under the laws of the State of Washington, having been incorporated and having currently 211,133 shares, if all existing options are exercised.

The Boards of Directors of Citizens and Commerce, deeming that it is to the advantageous business interest of both associations to merge so that the surviving association will be enabled to receive the benefits of greater efficiency and ability to compete successfully in the market which is conferred by greater size and number of offices, and deeming, after investigation, that the values are fair and reasonable as set forth herein for the exchange of shares of Commerce stock for deposits (later to be defined) in the resulting Association; and deeming that such merger will result in a genuine continuity of interest for the stockholders and shareholders of Commerce in the surviving association and the respective Board of Directors of Citizens and Commerce having previously passed resolutions to the above effect;" (sic)

NOW, THEREFORE, in consideration of the premises of the mutual covenants and agreements herein set forth and for the purpose of prescribing the terms and conditions of such merger, the parties hereto covenant and agree as follows:

1. *Merger.* Commerce shall have merged with and into Citizens, which shall be the surviving association and which shall have the name provided in paragraph 2 below, upon the occurrence of the following events:

(a) This plan for merger shall have been adopted and approved by such action of Commerce and Citizens as shall comply with the requirements of the laws of the State of Washington, and all applicable federal laws, the regulations of the Federal Home Loan Bank Board and of the State of Washington respectively, and that fact shall have been certified by the respective secretaries of each association under their respective corporate seals. It is agreed that this Plan of Merger shall be approved by Commerce by vote of at least 51% of the votes of those properly holding voting rights, and approved by Citizens by a majority vote of its Board of Directors, if such a mode of approval is in accordance with the regulations of the Federal Home Loan Bank Board. It is the intent and purpose of the parties that this shall be a tax-free merger under the terms of § 368(a) (1) (A) of the Internal Revenue Code.

(b) This agreement, so adopted and certified shall have been signed, acknowledged and filed, all as required by the provisions of Chapter 33.40.010 of the Revised Code of Washington, which provides for merger between business entities such as Citizens and Commerce, and

(c) Four copies of this merger agreement properly executed in the name of the respective associations and four certified copies of such portions of the minutes of the meetings of the respective boards of directors as related to the consideration and approval of this Plan of Merger, four copies of the merger application shall have been submitted for approval to the Federal Home Loan Bank Board; and the Federal Home Loan Bank Board and/or such other federal or state agencies as shall be appropriate, shall have approved this merger;

(d) The Federal Home Loan Bank Board shall have approved the home office of Citizens, 1409 Fifth Avenue, Seattle, Washington 98101, as the address of the home office of the surviving association.

(e) The Federal Home Loan Bank Board shall have approved the four offices of Commerce as branches of the surviving Association, to wit:

Downtown Tacoma Office
1015 Pacific Avenue
Tacoma, Washington

Tacoma Mall Office
381 Tacoma Mall
Tacoma, Washington

Seventy-Second Street Office
317 South 72nd Street
Tacoma, Washington

Gig Harbor Office
7109 Pioneer Way
Gig Harbor, Washington

(f) On the effective date of the merger, all stock of Commerce shall be exchanged for insured deposits in the surviving Association pursuant to the schedule in Exhibit A attached hereto.

Thereupon, Commerce shall be deemed to have merged with and into Citizens which shall survive the merger and which shall have the name provided in paragraph 2 hereof.

The single association which shall so survive the merger is hereinafter sometimes called the surviving association; Citizens and Commerce are hereinafter sometimes called the constituent associations; and the date and time when the constituent associations shall merge and become the surviving association are hereinafter referred to as the "effective date of the merger".

2. *Names and purposes of the surviving association.* The name of the surviving association shall be Citizens Federal Savings & Loan Association of Seattle. The purposes for which the surviving association is formed and the nature of the business to be transacted by it shall be as set forth in the charter of Citizens on the effective date of the merger.

3. *By-laws of surviving association.* On the effective date of the merger, the by-laws of Citizens, as heretofore amended, shall be the by-laws of the surviving association until the same shall be altered, amended, or repealed, or until new by-laws shall be adopted, by proper procedure according to federal and state law and the regulations of the Federal Home Loan Bank Board.

4. *Location of home office and branch offices.* The home office of the surviving association and the branch offices shall be as follows:

MAIN OFFICE:
1409 Fifth Ave.
Seattle, WA 98101

BELLEVUE OFFICE:

320 - 108th N.E.
Bellevue, WA 98004

BURIEN OFFICE:

120 S.W. 160th
Seattle, WA 98166

CAPITOL HILL OFFICE:

225 Broadway East
Seattle, WA 98102

QUEEN ANNE OFFICE:

1600 Queen Anne North
Seattle, WA 98109

RICHMOND HIGHLANDS OFFICE:

18200 Midvale N.
Seattle, WA 98133

SOUTHCENTER OFFICE:

903 Southecenter Mall
Seattle, WA 98188

JUANITA OFFICE:

13633 - 100th N.E.
Kirkland, WA 98033

RENTON OFFICE:

201 Williams Ave.
Renton, WA 98055

RENTON HIGHLANDS OFFICE:

2833 N.E. Sunset Blvd.
Renton, WA 98055

LAKEWOOD OFFICE:

100th St. S.W. Bridgeport Way
Tacoma, WA 98499

SPANAWAY OFFICE:

14820 Pacific Ave. S.
Tacoma, WA 98444

DOWNTOWN TACOMA OFFICE:

1015 Pacific Ave.
Tacoma, WA 98402

TACOMA MALL OFFICE:

381 Tacoma Mall
Tacoma, WA 98409

TACOMA HIGHLANDS OFFICE:

6902 - 6th Ave.
Tacoma, WA 98406

SEVENTY-SECOND STREET OFFICE:

317 South 72nd Street
Tacoma, WA 98408

GIG HARBOR OFFICE

7109 Pioneer Way
Gig Harbor, WA 98335

5. Directors and officers of the surviving association.

The Board of Directors of the surviving association shall consist of the present six directors of Citizens who shall hold office and be subject to re-election pursuant to the by-laws of the surviving association. The respective names, places of residence, and addresses of such directors are as follows:

Edgar E. Cushing, Chairman of the Board
2100 Third Ave., Apt. 1702, Seattle, WA 98121

John K. Aldrich, Dean of Instruction
North Seattle Community College
2415 Monta Vista Place West, Seattle, WA 98199

Wendell H. Broyles, Executive Vice-President
King County Medical Blue Shield
1610 - 85th N.E., Bellevue, WA 98004

John W. Rumsey, President
Rumsey & Company, General Contractors
C. S. Apartments, LTD., 2979 Kalakaua Ave.,
Honolulu, Hawaii 98615

Duane L. Tewell, Partner
Elvidge, Veblen, Tewell, Bergmann & Taylor
1969 S.W. Hillcrest Road, Seattle, WA 98166

David P. Thompson, President
 3135 Fairweather Place, Bellevue, WA 98004
 (Victor E. Rabel, non-voting Director Emeritus,
 Star Machinery Company)
 1620 - 43rd East, Seattle, WA 98102

The principal officers of the surviving association, shall be the present principal officers of Citizens together with Harold Paulsen with such additions or changes as shall be made by proper authority. The offices, places of residence and post office addresses of such officers are as follows:

David P. Thompson, President
 3135 Fairweather Place, Bellevue, WA 98004

Ronald O. Fogg, Sr. Vice-President
 17205 - 2nd N.W., Seattle, WA 98177

C. E. McAllister, Sr. Vice-President & Secretary
 17225 N.E. 15th Place, Bellevue, WA 98008

Harold Paulsen, Sr. Vice-President
 3341 North Shirley
 Tacoma, Washington 98407

John Webber, Jr., Sr. Vice-President
 10403 Marine View Drive
 Everett, WA 98204

Joseph B. Rogers, Vice-President
 410 - 155th Ave. S.E., Bellevue, WA 98007

Lue A. Seil, Treasurer
 11302 E. Riverside Dr., Bothell, WA 98011

6. All savings account holders in Commerce and Citizens shall, upon merger, become savings account holders in the surviving association, with all rights and privileges of membership, including, but not limited to:

(a) Voting rights pursuant to the charter and bylaws of the resulting Association.

(b) Accounts insured under the regulations of FSLIC.

(c) Interest on all qualifying accounts on day of deposit to day of withdrawal.

(d) Interest compounded continuously on all qualifying accounts and qualifying time certificates.

(e) Commerce and Citizens time certificates honored as to all terms by the surviving association.

7. *Continuity of business.* Between the date hereof and the effective date of the merger, Commerce will not, (except with the prior written consent of Citizens):

(a) Issue or sell any capital stock, bonds or other corporate securities;

(b) Make any dividend or other payment or distribution to its stockholders or purchase or redeem any shares of its capital stock. (This provision shall not affect the right of Commerce to issue stock pursuant to any existing option.)

It is understood and agreed that Commerce shall continue to conduct all business in its normal fashion. It is also understood and agreed that any unusual business matters will be handled by mutual consultation between Citizens and Commerce until the effective date of merger.

8. *Effect of merger.* On the effective date of merger, the surviving association shall possess all the rights, privileges, powers, franchises, trusts and fiduciary duties, powers and obligations of a public as well as of a private nature, and be subject to all of the restrictions, disabilities, and duties of each of the constituent corporations, and all

and singular, the rights, privileges, powers and franchises and trust and fiduciary rights, powers, duties and obligations of each of the constituent associations; and all property, real, personal and mixed and all debts due to either of the constituent corporations on whatever account, and all property rights, privileges, powers and franchises and all and every other interest shall be thereafter as effectually the property of the Surviving Association as they were of the respective constituent associations and the title to any real estate, whether vested by deed or otherwise, in either of the constituent associations shall not revert or be in any way impaired by reason of the merger;* provided, however, that all of the rights of creditors and all liens upon any property of either of the constituent associations shall be preserved unimpaired, and all debts, liabilities and duties of the respective constituent associations shall hence forth attach to the Surviving Association, and may be enforced against it to the same extent as if such debts, liabilities and duties had been incurred or contracted by the Surviving Association. *Tacoma Mall Corporation has the right to approve the name change and lease assignment pursuant to the Tacoma Mall lease.

9. *Further instruments.* Hereafter, as and when requested by the Surviving Association or by its successors or assigns, constituent association Commerce will execute and deliver or cause to be executed and delivered, all instruments of any kind, and will take or cause to be taken, such further action as the Surviving Association may deem necessary or desirable in order to vest in and confirm to the Surviving Association, title to, and possession of, all its property, rights, privileges, powers, franchises, and

otherwise to carry out the intent and purposes of this agreement.

10. On the effective date of the merger, all employees of Citizens and Commerce shall become employees of the Surviving Association. All pension and retirement plans of Citizens and all other plans, agreements, or arrangements of Citizens relating to its employees or any of them in force on the effective date of the merger shall be effective with respect to the Surviving Association and its employees in the same manner and on the same terms and conditions as applied previously to employees of Citizens. In the same manner, Surviving Association employees under age 65 who were also prior employees of Commerce shall become eligible and enrolled therein for all pension and retirement plans of the Surviving Association on the same basis, and with the same credit and rights for length of service, as Surviving Association employees who were prior employees of Citizens.

Upon consummation of the merger, the Surviving Association will enter into an employment agreement effective at that time with Harold Paulsen providing for a salary of at least \$27,500 a year for a period of time consistent with the by-laws of the Surviving Association and the federal rules and regulations governing Federal Savings & Loan Associations.

11. *Conversion of securities and accounts on merger.* The manner of converting the stock and savings accounts of Commerce and the savings accounts of Citizens, to savings accounts in the Surviving Association is as follows:

(a) Each savings account of Citizens outstanding on the effective date of the merger shall remain out-

standing as one savings account of the same size in the Surviving Association.

(b) Each savings account of Commerce outstanding on the effective date of the merger shall remain outstanding as one savings account of the same size in the Surviving Association.

(c) Each share of capital stock of Commerce outstanding on the effective date of the merger and not owned by Commerce shall be converted on a ratio of one share of Commerce stock to a \$12 deposit in a regular passbook savings account in the Surviving Association with said deposit not to be withdrawn for a period of one year. The Surviving Association shall grant to all prior shareholders of Commerce borrowing privileges against said resulting deposits at a rate 1½% above the passbook rate.

(d) On the effective date of the merger, all shares of capital stock of Commerce owned by Commerce or any shareholder of Commerce shall immediately be retired and have no further existence subject to the provisions of this merger agreement pertaining to exchange of stock for time-saving share certificates or regular savings accounts. The assets and liabilities of Commerce, as of the effective date of this merger, shall be placed upon the books of the Surviving Association at book value.

12. Representations by Commerce.

(a) Commerce represents that its accounts are insured by Federal Savings & Loan Insurance Corporation according to all prevailing regulations.

(b) Commerce represents that it has complied in all respects with the requirements of law in its past business operations. The financial statements of Commerce, as of the date of this agreement, are attached hereto as Exhibit A. Commerce represents these financial statements are accurate and that it will not cause substantial change to occur before the effective date of merger. Citizens shall have the right to conduct such examination of the books and records of Commerce as it elects at any time prior to the effective date of merger.

(c) Commerce represents that it has no liabilities not disclosed in connection with this transaction.

13. *Non competition covenant.* All officers and directors of Commerce, for themselves and in their official capacities, hereby covenant that for a period of five years from the date of this merger, they will not act in any way directly or indirectly to compete with or act adversely to the Surviving Association in the Seattle/Tacoma/Everett area. Positions they already hold shall not be deemed to violate this provision.

In no way limiting the generality of said covenant, the prohibited acts include but are not limited to:

(a) Making use of or aiding in the attempted use by others, of names "Citizens" or "Commerce" for a financial institution in the Seattle/Tacoma/Everett area.

14. *Time limit in which to complete merger.* This agreement for merger shall terminate and the merger shall

not take place if the acts set forth in paragraph 1 above entitled "Merger" have not been completed by April 1, 1976. The time limit set forth herein may be extended by a joint act of the majorities of the Boards of Directors of Citizens and Commerce. The time limit shall be extended for a reasonable time for the purpose of complying with the provisions of paragraphs 1(c) thru 1(e) herein. Both parties expressly covenant and agree that they will take all reasonable and possible steps at the earliest opportunity to accomplish the performance called for herein, in the shortest possible time after the execution of this agreement. In the event either party does not take steps quickly and effectively as covenanted hereinabove, such party expressly authorizes the other party to take such steps on its behalf in order that performance of this agreement be properly accomplished according to its terms.

15. *Right of amendment.* The surviving association hereby reserves the right to amend, alter, change or repeal any provision contained in its charter, in the manner now or hereinafter prescribed by law as from time to time amended; and rights and powers of whatsoever nature conferred in such charter upon any member, director, officer or any other person are subject to this reservation.

IN WITNESS WHEREOF, Citizens Federal Savings & Loan Association of Seattle and Commerce Savings & Loan Association have caused this agreement to be signed in their corporate names by their respective presidents or vice-presidents and their respective secretaries under the seals of the corporation, and also by majorities of their

respective Boards of Directors, all as of the day and year first above written.

Citizens Federal Savings & Loan Association

By: /s/ David P. Thompson
President

CORPORATE SEAL

(Attest)

/s/ C. E. McAllister
Secretary

Commerce Savings & Loan Association

By: /s/ Harold Paulsen
President

CORPORATE SEAL

(Attest)

/s/ E. H. Brus
Secretary

EXHIBIT "A"
 Page 1 of 4

Shares	Value @ \$12/shr	Passbk. 6 mo. Restrict'n @ 5.25%	1½ Certif. @ 6.50%	2½ yr. Certif. @ 6.75%	4 yr. Certif. @ 7.50%
326	3,912	1,174	2,738		
133	1,596	479	1,117		
1,996	23,952	7,186	7,186	4,790	4,790
407	4,884	1,465	1,465	1,954	
525	6,300	1,890	1,890	1,260	1,260
634	7,608	2,282	2,282	1,522	1,522
10,354	124,248	37,274	37,274	24,850	24,850
69	828	828			
12	144	144			
15	180	180			
2,222	26,664	7,999	7,999	5,333	5,333
346	4,152	1,246	1,246	1,660	
326	3,912	1,174	1,174	1,564	
12	144	144			
48	576	576			
1,959	23,508	7,052	7,052	4,702	4,702
2,681	32,172	9,652	9,652	6,434	6,434
1,978	23,736	7,121	7,121	4,747	4,747
58	696	696			
18,178	218,136	65,491	65,441	43,627	43,627
576	6,912	2,074	2,074	1,382	1,382
266	3,192	958	2,234		
286	3,432	1,030	1,030	1,372	
358	4,296	1,289	1,289	1,718	
1,306	15,672	4,702	4,702	3,134	3,134
27	324	324			
27	324	324			
1,757	21,084	6,325	6,325	4,217	4,217
27	324	324			
155	1,860	558	1,302		
4	48	48			
155	1,860	558	1,302		
133	1,596	479	1,117		
118	1,416	1,416			
1,589	19,068	5,720	5,720	3,814	3,814
115	1,380	1,380			
79	948	948			
364	4,368	1,310	1,310	1,748	
7,383	88,596	26,579	26,579	17,719	17,719
2	24	24			
302	3,624	1,087	1,087	1,450	
634	7,608	2,282	2,282	1,522	1,522
667	8,004	2,401	2,401	1,601	1,601
2,631	31,572	9,472	9,472	6,314	6,314
606	7,272	2,182	2,182	1,454	1,454
60	720	720			
Total	61,906	\$742,872	\$228,517	\$226,045	\$149,588
					\$138,422

EXHIBIT "A"
 Page 2 of 4

Shares	Value @ \$12/shr	Passbk. 6 mo. Restrict'n @ 5.25%	1½ Certif. @ 6.50%	2½ yr. Certif. @ 6.75%	4 yr. Certif. @ 7.50%
667	8,004	2,401	2,401	1,601	1,601
654	7,848	2,354	2,354	1,570	1,570
11,272	135,264	40,579	40,579	27,053	27,053
412	4,944	1,483	1,483	1,978	
2	24	24			
1,337	16,044	4,813	4,813	3,209	3,209
155	1,860	558	1,302		
272	3,264	979	2,285		
57	684	684			
110	1,320	1,320			
358	4,296	1,289	1,289	1,718	
667	8,004	2,401	2,401	1,601	1,601
1,337	16,044	4,813	4,813	3,209	3,209
86	1,032	1,032			
57	684	684			
994	11,928	3,578	3,578	2,386	2,386
2,578	30,936	9,281	9,281	6,187	6,187
2	24	24			
2	24	24			
141	1,692	508	1,184		
133	1,596	479	1,117		
169	2,028	608	1,420		
1	12	12			
788	9,456	2,837	2,837	1,891	1,891
728	8,736	2,621	2,621	1,747	1,747
10,071	120,852	36,256	36,256	24,170	24,170
686	8,232	2,470	2,470	1,646	1,646
667	8,004	2,401	2,401	1,601	1,601
572	6,864	2,059	2,059	1,373	1,373
654	7,848	2,354	2,354	1,570	1,570
319	3,828	1,148	1,148	1,532	
12	144	144			
12	144	144			
390	4,680	1,404	1,404	1,872	
728	8,736	2,621	2,621	1,747	1,747
2	24	24			
10,144	121,728	36,518	36,518	24,346	24,346
1,119	13,428	4,028	4,028	2,686	2,686
1,119	13,428	4,028	4,028	2,686	2,686
1,119	13,428	4,028	4,028	2,686	2,686
1,565	18,780	5,634	5,634	3,756	3,756
667	8,004	2,401	2,401	1,601	1,601
671	8,052	2,416	2,416	1,610	1,610
332	3,984	1,195	1,195	1,594	
423	5,076	1,523	1,523	1,015	1,015
423	5,076	1,523	1,523	1,015	1,015
Total	54,674	\$656,088	\$199,705	\$199,765	\$132,656
					\$123,962

EXHIBIT "A"
 Page 3 of 4

Shares	Passbk.				
	Value @ \$12/shr	6 mo. Restric'n @ 5.25%	1½ Certif. @ 6.50%	2½ yr. Certif. @ 6.75%	4 yr. Certif. @ 7.50%
654	7,848	2,354	2,354	1,570	1,570
266	3,192	958	2,234		
728	8,736	2,621	2,621	1,747	1,747
4,694	56,328	16,898	16,898	11,266	11,266
667	8,004	2,401	2,401	1,601	1,601
2,681	32,172	9,652	9,652	6,434	6,434
165	1,980	594	1,386		
185	2,220	666	1,554		
5	60	60			
55	660	660			
962	11,544	3,463	3,463	2,309	2,309
55	660	660			
17,459	209,508	62,852	62,852	41,902	41,902
70	840	840			
70	840	840			
57	684	684			
26	312	312			
667	8,004	2,401	2,401	1,601	1,601
1,097	13,164	3,949	3,949	2,633	2,633
10,137	121,644	36,493	36,493	24,329	24,329
609	7,308	2,192	2,192	1,462	1,462
728	8,736	2,621	2,621	1,747	1,747
286	3,432	1,030	1,030	1,372	
133	1,596	479	1,117		
155	1,860	558	1,302		
155	1,860	558	1,302		
155	1,860	558	1,302		
165	1,980	594	1,386		
2,005	24,060	7,218	7,218	4,812	4,812
1,912	22,944	6,883	6,883	4,589	4,589
108	1,296	1,296			
1,579	18,948	5,684	5,684	3,790	3,790
15	180	180			
60	720	720			
667	8,004	2,401	2,401	1,601	1,601
1,174	14,088	4,226	4,226	2,818	2,818
190	2,280	684	1,596		
1,277	15,324	4,597	4,597	3,065	3,065
141	1,692	508	1,184		
1,623	19,476	5,843	5,843	3,895	3,895
133	1,596	479	1,117		
110	1,320	1,320			
4	48	48			
4	48	48			
4	48	48			
3,832	45,984	13,795	13,795	9,197	9,197
Total	57,924	\$695,088	\$213,926	\$215,054	\$133,740
					\$132,368

EXHIBIT "A"
 Page 4 of 4

Shares	Passbk.				
	Value @ \$12/shr	6 mo. Restric'n @ 5.25%	1½ Certif. @ 6.50%	2½ yr. Certif. @ 6.75%	4 yr. Certif. @ 7.50%
66	\$ 792	\$ 792	\$ 792	\$ 792	\$ 792
243	2,916	875	2,041		
3,590	43,080	12,924	12,924	8,616	8,616
11,149	133,788	40,136	40,136	26,758	26,758
110	1,320	1,320			
2,025	24,300	7,290	7,290	4,860	4,860
312	3,744	1,123	1,123	1,498	
667	8,004	2,401	2,401	1,601	1,601
794	9,528	2,858	2,858	1,906	1,906
13,200	158,400	47,520	47,520	31,680	31,680
1,098	13,176	3,953	3,953	2,635	2,635
2,901	34,812	10,444	10,444	6,962	6,962
319	3,828	1,148	1,148	1,532	
155	1,860	558	1,302		
366,629	\$439,548	\$133,342	\$133,140	\$88,048	\$85,018
- SUMMARY -					
Total:					
page 1	61,906	742,872	228,517	226,045	149,888
page 2	54,674	656,088	199,705	199,765	132,656
page 3	57,924	695,088	213,926	215,054	133,740
page 4	36,629	439,548	133,342	133,140	88,048
211,133	\$2,533,596	\$775,490	\$774,004	\$504,332	\$479,770